

PERFORMANCE & COMPENSATION COMMITTEE OPEN SESSION

MINUTES OF MEETING

September 7, 2007

The Performance and Compensation Committee met on Friday, September 7, 2007, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 10:46 a.m. and the following members were present:

Priya Mathur, Chair Tony Oliveira Robert Carlson Steve Coony representing Bill Lockyer Kurato Shimada Charles Valdes

Excused:

David Gilb

Other Board Member Present:

Terrence McGuire representing John Chiang

AGENDA ITEM 2 – APPROVAL OF THE AUGUST 14, 2007 PERFORMANCE AND COMPENSATION COMMITTEE MEETING MINUTES

The minutes were approved as presented.

AGENDA ITEM 3 – 2007-2008 PERFORMANCE PLANS FOR THE CHIEF INVESTMENT OFFICER AND SENIOR INVESTMENT OFFICERS (SECOND READING)

Chris O'Brien, Human Resources Division Chief, presented, as an action item the 2007-2008 performance plans for the Chief Investment Officer, and the Senior Investment Officers for second reading. A recommendation was made to amend the leadership measure of the Senior Investment Officer's performance plans to include diversity and succession planning.

On **MOTION** by Mr. Coony, **SECONDED** and **CARRIED** the Committee approved the 2007-2008 performance plans for the Chief Investment Officer and Senior Investment

Officers of Alternative Investments, Fixed Income, Global Equities, and Real Estate, as amended.

AGENDA ITEM 4 – 2007-2008 PERFORMANCE PLANS FOR THE SENIOR PORTFOLIO MANAGERS AND PORTFOLIO MANAGERS (SECOND READING)

Ms. O'Brien presented, as an action item, the 2007-2008 performance plans for the Senior Portfolio Managers and Portfolio Managers for second reading.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** the Committee approved the 2007-2008 performance plans for the Senior Portfolio Managers and Portfolio Managers.

AGENDA ITEM 5 – 2007-2008 PERFORMANCE PLAN FOR THE RECENTLY APPOINTED CHIEF OPERATING INVESTMENT OFFICER (SECOND READING)

Ms. O'Brien presented, as an action item, the 2007-2008 performance plan for the recently appointed Chief Operating Investment Officer for second reading.

On **MOTION** by Mr. Coony, **SECONDED** and **CARRIED** the Committee approved the 2007-2008 performance plan for the Chief Operating Investment Officer.

AGENDA ITEM 6 – 2007-2008 PERFORMANCE PLAN FOR THE RECENTLY APPOINTED PORTFOLIO MANAGERS, REAL ESTATE (SECOND READING)

Ms. O'Brien presented, as an action item, the 2007-2008 performance plans and duty statements for two recently appointed Portfolio Managers, Real Estate for second reading.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** the Committee approved the 2007-2008 performance plans for the recently appointed Portfolio Managers, Real Estate.

AGENDA ITEM 7 - HUMAN RESOURCES DIVISION REPORT

Chris O'Brien, Chief of Human Resources, reported on the status of the incentive compensation redesign project.

The meeting was adjourned at 10:58 a.m.

The next Performance and Compensation Committee meeting is scheduled for December 14, 2007, in Sacramento, California.